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Community Development Financial Institutions Fund

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## **New Markets Tax Credit Program**

Community Development Entity  
Certification Application

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# Community Development Financial Institutions Fund

# Application

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**OMB Approval No. 1559-0014**

**CDFI-0019**

**Paperwork Reduction Act Notice.**

This submission requirements package is provided to applicants for Community Development Entity (CDE) certification under the New Markets Tax Credit (NMTC) Program. Applicants are not required to respond to this collection of information unless it displays a currently valid OMB number. The estimated average burden associated with this collection of information is 10 hours per applicant. Comments concerning the accuracy of this burden should be directed to the Department of the Treasury, Community Development Financial Institutions Fund, 601 13th Street, NW, Suite 200 South, Washington, DC 20005.

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# Community Development Financial Institutions Fund

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# Community Development Financial Institutions Fund

## Introduction

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### **CDFI FUND MISSION**

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The mission of the Community Development Financial Institutions Fund (the Fund) is to expand the capacity of financial institutions to provide capital, credit and financial services in underserved markets. The Fund supports *Community Development Financial Institutions (CDFIs)*<sup>1</sup>, *Community Development Entities (CDEs)* and other financial institutions through three primary programs: 1) the *CDFI Program*; 2) the Bank Enterprise Awards Program; and 3) the New Markets Tax Credit Program.

### **CDFI PROGRAM**

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The *CDFI Program* seeks to promote the development of a national network of community-based financial institutions that are dedicated to community development. The Fund certifies organizations as *CDFIs* and offers the following funding programs to support their development and growth:

***CDFI Core and Intermediary Components.*** *CDFIs* and institutions proposing to become *CDFIs* may apply for financial and/or technical assistance in support of an identified business plan. Funds may be used for capitalization, operational expenses or technical assistance needs.

***Small and Emerging CDFI Assistance (SECA) Component.*** The *Small and Emerging CDFI Assistance Program* is designed to provide technical assistance to *CDFIs* and *CDFIs* in formation, and technical assistance with limited amounts of financial assistance to *Small and Emerging CDFIs*.

***Native American CDFI Technical Assistance (NACTA) Component.*** This *CDFI Program* component is designed to provide technical assistance to establish and strengthen the capacity of *CDFIs* serving Native American, Native Hawaiian or Alaska Native communities.

### **BANK ENTERPRISE AWARDS PROGRAM**

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The Bank Enterprise Awards (BEA) Program provides financial incentives for regulated banks and thrifts to invest in certified *CDFIs* as well as to increase their lending, investing and financial service activities in distressed communities. Certified *CDFIs* utilize the BEA Program to build partnerships and raise funds from traditional financial institutions.

### **NEW MARKETS TAX CREDIT PROGRAM**

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Under the New Markets Tax Credit (NMTC) Program, taxpayers are provided a credit against Federal income taxes for *Qualified Equity Investments* made to acquire stock or other equity interests in designated *CDEs*. Substantially all of the *Qualified Equity Investments* must in turn be used by the *CDE* to, among other things, make loans to, or equity investments in, businesses or *CDEs* operating in *Low-Income Communities*. The credit provided to the investor (either the original purchaser or a subsequent holder) covers a seven-year period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or equity interest at the time of purchase. For the final four years, the value of the credit is six percent annually.

The NMTCs are allocated annually by the Fund to *CDEs* under a competitive application process. These *CDEs* in turn sell the credits to taxable investors in exchange for stock or capital interest in the *CDEs*. To qualify as a *CDE*, an entity must be a domestic corporation or partnership that: 1) has a mission of serving, or providing investment capital for, *Low-Income Communities* or *Low-Income Persons*; 2) maintains accountability to residents of *Low-Income Communities* through their representation on a governing or an advisory board; and 3) has been certified as a *CDE* by the *CDFI Fund*.

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<sup>1</sup> Terms in *Capitalized Italics* are defined in the Glossary of Terms at the back of this document.

*CDEs* may be non-profit or for-profit entities, but only for-profit *CDEs* are entitled to provide NMTCs to their investors (for more information on this, refer to “Applying for NMTC Allocations” below).

Organizations, including non-profit entities, that do not intend to apply to the Fund for NMTC allocations may nonetheless find it beneficial to gain designation as a *CDE*, since *CDEs* that receive NMTC allocations may use proceeds from investors to: make equity investments in other *CDEs*, provide loans to other *CDEs* and purchase qualifying loans from other *CDEs*.

### Applying for Designation as a CDE

Any organization seeking *CDE* designation must apply to the Fund. An *Applicant CDE* must be a legally established entity at the time of application submission. An organization may apply for certification solely on its own behalf, or it may apply on behalf of itself and one or more *Subsidiary Applicants*, provided that all of the entities seeking certification are legally established at the time of application. *Applicant CDEs* wishing to certify *Subsidiary Applicants* may do so under a single application, in accordance with the instructions provided in this document.

**NOTE: CDFIs and SSBICs seeking certification as CDEs do not need to complete these application materials.** Organizations that are *CDFIs* and/or *Specialized Small Business Investment Companies (SSBICs)* automatically qualify as *CDEs*, and need only register electronically via the Fund’s website, [www.cdfifund.gov](http://www.cdfifund.gov). *Subsidiaries* and *Affiliates* of *CDFIs* and *SSBICs* do not automatically qualify as *CDEs*. *CDFIs* or *SSBICs* wishing to certify *Subsidiary Applicants* may do so through this application, but should first register as a *CDE* on-line prior to completing this application on behalf of their *Subsidiaries*.

### Maintaining Designation as a CDE

All *CDEs* will be required, on an annual basis, to certify to the Fund that they continue to meet their primary mission and accountability requirements. The Fund may

collect additional information from all *CDEs* that are awarded NMTC allocations and/or are recipients of *Qualified Low-Income Community Investments* from other *CDEs*. Information collected may include, but is not limited to, the following:

- For a *CDE* that is also a certified *CDFI* or *SSBIC*, certification that no material changes have occurred to affect its status as a *CDFI* or *SSBIC*;
- For all other *CDEs*:
  - 1) Data indicating that at least 60 percent of the *CDE's* activities (e.g., loans and investments) have been directed to *Low-Income Communities* or to *Low-Income Persons*; and
  - 2) Information indicating that the organization remains accountable to residents of the *Low-Income Communities* it is serving.

If the *CDE* cannot provide such information, the Fund may revoke the organization’s *CDE* designation.

### Applying for NMTC Allocations

Both for-profit and non-profit *CDEs* may apply to the Fund for an allocation of tax credits, but only a for-profit *CDE* is permitted to provide tax credits to its investors in exchange for stock or capital ownership. A non-profit *CDE* wishing to apply for NMTC allocations will need to demonstrate, prior to entering into an allocation agreement with the Fund, that: 1) it controls one or more *Subsidiary CDEs* that are for-profit entities; and 2) it intends to transfer all allocations of tax credits it receives to those *Subsidiary* entities. A non-profit organization applying solely for *CDE* certification is not required to *Control* for-profit *Subsidiaries*.

NMTC allocations will be awarded to *CDEs* annually on a competitive basis, pursuant to a Notice of Allocation Availability (NOAA) that will be published in the Federal Register. The Fund anticipates publishing the NOAA announcing the first allocation of NMTCs in the first quarter of calendar year 2002. The application materials will be available on the Fund’s website at [www.cdfifund.gov](http://www.cdfifund.gov).

### Allocation and Use of NMTCs

Each applicant that is selected to receive a NMTC allocation must enter into an *Allocation Agreement* with the Fund prior to receiving its allocation. This agreement will specify the terms and conditions of the NMTC allocation. Such terms and conditions, as further defined by the IRS's implementing regulations, will include, but are not limited to, the following:

1) The Awardee will have five years from the date on which it enters into an *Allocation Agreement* with the Fund to exchange NMTCs for *Qualified Equity Investments* from taxable investors.

- 2) The Awardee must demonstrate that substantially all of the cash provided through the issuance of *Qualified Equity Investments* are used to make *Qualified Low-Income Community Investments* throughout the *Credit Allowance Period*.
- 3) The Awardee must, at all times during the *Credit Allowance Period*, maintain its status as a *CDE*.

The Fund will collect information, on an annual basis, to monitor *CDEs'* compliance with these requirements. Failure to comply with certain requirements could result in the recapture of NMTCs from the *CDE* and its investors.

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# Community Development Financial Institutions Fund Application Instructions

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- 1) Read the applicable Federal Register Guidance that accompanies this application for *CDE* certification.
- 2) Consult the Glossary of Terms included in the Appendix when completing the application. All terms and phrases that are in *Capitalized Italics* in the application can be found in the Glossary.
- 3) Complete the application in its entirety. Failure to submit complete application materials may result in the Fund's rejection of the application. Follow the instructions provided under each Part of the application.
- 4) Submit one original and one copy of this application to the address below. The *copy* should be placed in a three-ring binder, without staples or other forms of binding. The original should not be placed in a binder and should not include tabs.
- 5) Optional: Applicants may find it helpful to prepare the Accountability Chart in Part II of the application in a MS Word file instead of typing the information into the printed version. Files may be obtained on the Fund's website: [www.cdfifund.gov](http://www.cdfifund.gov).
- 6) Reminder: Certified *CDFIs* and *SSBICs* automatically meet the requirements of a *CDE* and may register to be *CDEs* on-line at [www.cdfifund.gov](http://www.cdfifund.gov). These organizations need only to complete this *CDE Certification Application* if they are interested in certifying *Subsidiary Applicants* as *CDEs* at this time.

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## Submitting Your Application

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Send to:

Bureau of Public Debt  
200 3rd Street, Room 211  
Parkersburg, WV 26101  
Attn: Tina Brunicardi, Franchising  
*CDE Certification Application*  
(304) 480-6514

Applications faxed or sent via e-mail will not be accepted.

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## Additional Questions and Information Sources

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If you have any questions about this application, you may contact the Fund by e-mail at [cdfihelp@cdfi.treas.gov](mailto:cdfihelp@cdfi.treas.gov), by telephone at (202) 622-8662, or visit the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov).

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# Community Development Financial Institutions Fund

## Completeness Checklist

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**Please complete this checklist and submit it as part of your *CDE Certification Application*.**

If any of the following information is missing from the *CDE Certification Application*, the Fund may determine that the application is incomplete. If such a determination is made, the Fund will notify the *Applicant CDE* in writing that the application for the *Applicant CDE* and, if applicable, *Subsidiary Applicant(s)*, has been rejected and will not be reviewed any further.

- Part I. *Applicant CDE* Information and, if applicable, Part I. *Subsidiary Applicant* Information for each *Subsidiary Applicant*. This must include the signature of the *Authorized Representative* for the *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
- Part II. Establishing documents for the *Applicant CDE* and each *Subsidiary Applicant*.
- Part II. Organizational documents indicating the primary mission of the *Applicant CDE*. An *Applicant CDE* seeking to certify *Subsidiary Applicants* as *CDEs* must also either: (1) provide organizational documents indicating the primary mission for each *Subsidiary Applicant* seeking designation as a *CDE*; or (2) sign the "Certification Attesting to Primary Mission of *Subsidiary Applicants*."
- Part II. Identification of service area of *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
- Part II. Accountability Chart for the *Applicant CDE* and, if applicable, each *Subsidiary Applicant*.
- Part II. If applicable, narrative information detailing the process by which feedback is obtained by and from advisory boards.
- Part III. Certification of *Authorized Representative*.
- Part IV. Questionnaire of *Applicant CDEs*.

# Community Development Financial Institutions Fund

## Part I: Applicant Information

<b>Applicant CDE Information</b>	
1. <i>Applicant CDE</i> Name:	
2. <i>Applicant CDE's</i> Employer Identification Number:	
3. Is the <i>Applicant CDE</i> already registered as a <i>CDE</i> ? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, identify the <i>CDE Control Number</i> of the <i>Applicant CDE</i> ? _____ NOTE: <i>Applicant CDEs</i> that are themselves already certified as <i>CDEs</i> should skip to box 11 below.	
4. Mailing Address (Provide mailing address <u>and</u> physical address for overnight deliveries (if different). Provide nine-digit zip code where available):	
5. <i>Authorized Representative</i> Name and Title, and address if different from applicant:	Telephone number: Fax number: E-mail address:
6. Congressional District of applicant's main office:	
7. List all of the states currently served or proposed to be served by the applicant:	
8. Primary market served (check one): <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	
9. Type of entity (check one): <input type="checkbox"/> For-profit <input type="checkbox"/> Non-profit <input type="checkbox"/> Other (specify): _____	
10. Is the <i>Applicant CDE</i> duly organized and validly existing under the laws of the jurisdiction in which it was incorporated or otherwise established? <input type="checkbox"/> Yes <input type="checkbox"/> No (If no, the applicant is not eligible to apply for certification as a <i>CDE</i> ) <i>Applicant CDE's</i> date of incorporation (month/day/year): _____ <i>Applicant CDE's</i> total assets as of the date of this application: \$ _____	
11. Is the applicant seeking to certify <i>Subsidiary Applicants</i> as <i>CDEs</i> through this application? <input type="checkbox"/> Yes. If yes, how many <i>Subsidiary Applicants</i> are you seeking to designate as <i>CDEs</i> ? _____ <input type="checkbox"/> No For each of the <i>Subsidiary Applicants</i> identified above, you must complete the " <i>Subsidiary Applicant Contact Information</i> " form on the following page. Attach as many sheets as needed.	
12. Estimate how long this application took to complete: _____ Hours	
To the best of my knowledge and belief, all information in this application is true and correct. The execution of this application has been duly authorized by the governing body of the <i>Applicant CDE</i> .	
13. <i>Authorized Representative</i> Signature:	Date:

# Community Development Financial Institutions Fund

## Part I: Applicant Information

### Subsidiary Applicant Information

1. Name of <i>Subsidiary Applicant</i> :	
2. <i>Subsidiary Applicant's</i> Employer Identification Number:	
3. Mailing Address (Provide mailing address <u>and</u> physical address for overnight deliveries (if different). Provide nine-digit zip code where available):	
4. <i>Authorized Representative</i> Name and Title, and address if different from above:	Telephone number: Fax number: E-mail address:
5. Congressional District of <i>Subsidiary Applicant's</i> main office:	
6. List all of the states currently served or proposed to be served by the <i>Subsidiary Applicant</i> :	
7. Primary market served (check one): <input type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	
8. Type of entity (check one): <input type="checkbox"/> For-profit <input type="checkbox"/> Non-profit <input type="checkbox"/> Other (specify): _____	
9. Is the <i>Subsidiary Applicant</i> duly organized and validly existing under the laws of the jurisdiction in which it was incorporated or otherwise established? <input type="checkbox"/> Yes <input type="checkbox"/> No (If no, the <i>Subsidiary Applicant</i> is not eligible to apply for certification as a <i>CDE</i> )  <i>Subsidiary Applicant's</i> date of incorporation (month/day/year): _____ <i>Subsidiary Applicant's</i> total assets as of the date of this application: \$ _____	
To the best of my knowledge and belief, all information in this application is true and correct. The <i>Subsidiary Applicant</i> identified above is a <i>Subsidiary</i> of the <i>Applicant CDE</i> (in accordance with the Fund's definition of <i>Subsidiary</i> ). The execution of this application by the <i>Subsidiary Applicant</i> has been duly authorized by the governing body of the <i>Subsidiary Applicant</i> .	
10. <i>Authorized Representative</i> Signature:	Date:

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# Community Development Financial Institutions Fund

## Part II: Designation Criteria for *CDEs*

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### A. Legal Entity

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#### Requirements

In order to be certified as a *CDE*, an *Applicant CDE* must be a domestic corporation or partnership that is duly organized and validly existing under the laws of the jurisdiction in which it is incorporated or established. An organization that is not yet a legal entity cannot apply for designation as a *CDE*. An *Applicant CDE* and its *Subsidiary Applicants* may apply under one *CDE Certification Application*, but must provide establishing documents for each entity wishing to receive designation. An *Applicant CDE* may not apply on behalf of other *Subsidiary Applicants* if the *Subsidiary Applicants* are not yet legally established.

#### Information Needed

Attach a copy of the *Applicant CDE's* articles of incorporation, partnership agreement or other establishing documents, and all appropriate amendments thereto.<sup>1</sup> If the *Applicant CDE* is attempting to certify one or more *Subsidiary Applicants* as *CDEs* through this application, it must also attach a copy of each of those entities' articles of incorporation, partnership agreements or other establishing documents, and all appropriate amendments thereto.

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<sup>1</sup> An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

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# Community Development Financial Institutions Fund

## Part II: Designation Criteria for *CDEs*

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### B. Primary Mission

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#### Requirements

A *CDE* must demonstrate that it has a primary mission of serving, or providing investment capital for, *Low-Income Communities* or *Low-Income Persons*, and that at least 60 percent of its activities (e.g., loans and investments) are targeted to *Low-Income Persons* or *Low-Income Communities*.

An *Applicant CDE* may meet the primary mission requirement by demonstrating that its incorporating documents, bylaws, annual reports or other organizational documents evidence a low-income mission. In the case of an *Applicant CDE* that is an *Insured Depository Institution* or *Insured Credit Union*, designation by a regulatory agency as a *Low-Income Designated Credit Union* or other community development institution is an indication of having such a mission.

An *Applicant CDE* must also demonstrate that, at a minimum, 60 percent of its products and services are directed to *Low-Income Persons*; to individuals, businesses or organizations located in *Low-Income Communities*; or to other organizations that serve *Low-Income Persons* or residents of *Low-Income Communities*. The following are a few examples of such activities:

- Investing in, lending to or providing technical assistance to businesses that are located in *Low-Income Communities* and/or are owned by *Low-Income Persons*;
- Lending to *Low-Income Persons* or residents of *Low-Income Communities*;
- Investing in or providing loans to support commercial properties that are located in *Low-Income Communities*; or
- Investing in, lending to or providing technical assistance to organizations (e.g., *CDEs* or *CDFIs*) engaged in activities that promote community development.

#### Information Needed

- 1) Organizational documents from the *Applicant CDE* that evidence a primary mission of serving *Low-Income Communities* or *Low-Income Persons*.<sup>1</sup> Such documentation includes, but is not limited to: by-laws, articles of incorporation, annual reports, partnership agreements or Board Resolutions. It is not necessary to submit multiple pieces of documentation - only submit the minimum necessary to demonstrate that your organization principally serves *Low-Income Communities* or *Low-Income Persons*.
- 2) If any *Subsidiary Applicants* are seeking designation as a *CDE* under this application, the *Applicant CDE* must either:
  - a) Submit separate organizational documents demonstrating the primary mission for each entity seeking certification; **or**
  - b) Sign and submit the attached form, "Certification Attesting to Primary Mission of *Subsidiary Applicants*."
- 3) All *Applicant CDEs* are required to complete Part III ("Certification of *Authorized Representative*"). Signing this form will demonstrate your organization's commitment to ensuring that at least 60 percent of its products and services (and 60 percent of the products and services of all *Subsidiary Applicants*) are directed to *Low-Income Persons*; to individuals, businesses or organizations located in *Low-Income Communities*; and/or to organizations that principally serve *Low-Income Persons* or *Low-Income Communities*.

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<sup>1</sup> An *Applicant CDE* that is already a certified *CDE* does not need to provide this information.

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**Community Development Financial Institutions Fund**

Part II: Designation Criteria for *CDEs*

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**Certification Attesting to Primary Mission of *Subsidiary Applicants***

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*Applicant CDEs* wishing to designate *Subsidiary Applicants* as *CDEs*, but who have not provided separate organizational documents for each of these entities, must sign the following certification:

I certify, on behalf of \_\_\_\_\_ (name of the “*Applicant CDE*”), that the *Subsidiary Applicant(s)* listed below have the same primary mission of serving *Low-Income Communities* or *Low-Income Persons* as indicated in the organizational documents of the *Applicant CDE*.

*Subsidiary Applicant(s):*

Name	E.I.N. Number
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

By: \_\_\_\_\_  
Signature of Authorized Representative

\_\_\_\_\_  
Date

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

### C. Accountability

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#### Requirements

Each entity seeking designation as a *CDE* under this application must: 1) identify the service areas that it serves or intends to serve; and 2) demonstrate that it maintains accountability to residents of the *Low-Income Communities* in those areas.

Identifying service areas. The *Applicant CDE* and each *Subsidiary Applicant* must identify the service areas that it serves or intends to serve. Each entity will be required to select from one of the following options:

- (1) Local service area. A local service area may be:
  - (a) a neighborhood or neighborhoods within a local jurisdiction; (b) a city, town or local jurisdiction(s) within a larger jurisdiction; (c) a county, parish or other larger jurisdiction within a state; (d) an entire *Metropolitan Area*; or (e) an Indian Reservation. Entities serving or intending to serve multiple communities within a single local service area (e.g., several neighborhoods within a single city, several cities within a single *Metropolitan Area*) may wish to designate the larger, encompassing jurisdiction as its local service area.
- (2) Multiple local service areas (e.g., Los Angeles and San Francisco).
- (3) Statewide service area (e.g., the state of California).
- (4) Multi-state service area (e.g., Appalachia).
- (5) National service area.

Maintaining Accountability. An applicant must demonstrate that it is accountable to the residents of *Low-Income Communities* in the service area that it designates. An applicant will be deemed to be accountable if at least 20% of its governing board or 20% of its advisory board(s) is representative of *Low-Income Communities* within the selected service area. In order to be deemed representative under this accountability requirement, a board member must either: (a) reside in a *Low-Income Community* within the selected service area; or (b) otherwise represent the interests of the residents of a *Low-Income Community* (e.g., a small business owner whose business is located in the community, an employee or a board officer of a community-based or charitable organization serving the community, etc.). The Fund encourages, as much as possible, *Applicant CDEs* to appoint some *Low-Income*

*Persons from Low-Income Communities* to advisory and/or governing boards.

An entity that does not have a governing board, but in which the governing authority resides with a general partner or managing company, may satisfy the accountability requirements through the board(s) of the general partner or managing company. An entity seeking to maintain accountability through advisory board(s) must also be able to demonstrate that the viewpoints of the advisory board(s) are given sufficient consideration and attention by the governing board.

To maintain accountability to the residents of *Low-Income Communities* in a **local service area**, the applicant must demonstrate that at least 20% of its governing board or 20% of its advisory board is comprised of individuals that represent *Low-Income Communities* in the local service area.

To maintain accountability to the residents of *Low-Income Communities* in **multiple local service areas**, the applicant must demonstrate that at least 20% of its governing board or 20% of its advisory board(s) is representative of *Low-Income Communities* in each of the local service areas. An entity may need to establish multiple advisory boards in order to satisfy this requirement.

To maintain accountability to the residents of *Low-Income Communities* in a **statewide service area**, a **multi-state service area**, or a **national service area**, the applicant must demonstrate that at least 20% of its governing board or 20% of its advisory board(s) is representative of a cross-section (e.g., urban and rural) of *Low-Income Communities* within the state(s) that it serves. An entity may need to establish multiple advisory boards in order to satisfy this requirement, or select board members that are from organizations that represent the interests of a cross-section of *Low-Income Communities* (e.g., a state-wide or nationwide non-profit community development organization).

*Applicant CDEs* needing to identify qualifying *Low-Income Communities* in their service area should visit the Fund's on-line help desk at [www.cdfifundhelp.gov](http://www.cdfifundhelp.gov). This help desk contains maps and worksheets identifying the qualifying census tracts throughout the country. *Applicant CDEs* wishing to designate an area within an otherwise non-qualifying census tract as a *Low-Income Community* may do so, provided that it is in accordance with the process identified under the definition of *Low-Income Community*.

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# Community Development Financial Institutions Fund

## Part II: Designation Criteria for *CDEs*

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### Information Needed

For **each** entity seeking certification under this application, complete the following information (submit as many copies of this page as necessary):

- 1) Name of entity seeking certification (identify): \_\_\_\_\_
- 2) Service area(s) that the entity serves or intends to serve.
  - Local service area (identify): \_\_\_\_\_
  - Multiple local service areas (identify): \_\_\_\_\_  
\_\_\_\_\_
  - Statewide service area (identify): \_\_\_\_\_
  - Multi-state service area (identify): \_\_\_\_\_  
\_\_\_\_\_
  - Nationwide service area
- 3) Does the organization intend to maintain accountability to the residents of *Low-Income Communities* through their representation on its governing board?
  - Yes (If yes, complete the attached "Accountability Chart" and skip to question 5 below).
  - No
- 4) If your organization intends to maintain accountability to the residents of its *Low-Income Communities* through their representation on advisory board(s), you must:
  - a) Complete the attached "Accountability Chart" for **each** advisory board; and
  - b) On a separate sheet of paper, **provide narrative information** detailing:
    - The process by which members are selected for the advisory board;
    - How often the advisory board meets (to be accountable, a board must meet at least annually);
    - How the board solicits (or intends to solicit) feedback from residents of *Low-Income Communities* and how often this information is (or will be) collected (e.g., feedback collected semi-annually at community meetings, feedback collected annually through surveys, etc.); and
    - How the information is used (or will be used) to inform the actions of the governing board in developing the organization's policies (e.g., an advisory board representative sits on the governing board; a member of the advisory board presents reports to the governing board, etc.).
- 5) All *Applicant CDEs* are required to complete Part III ("Certification of *Authorized Representative*"). Signing this form ensures that the *Applicant CDE* and each of its *Subsidiary Applicants* will continue to maintain accountability to residents of *Low-Income Communities* at all times during the course of its/their designation as a *CDE*.

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<sup>1</sup> An *Applicant CDE* that is already a certified *CDE* only needs to provide this information on behalf of its *Subsidiary Applicants*.

# Community Development Financial Institutions Fund

## Part II: Designation Criteria for CDEs

**Accountability Chart For:** Jonesville CDE  
 (Applicant CDE or Subsidiary Applicant Name)

**Service Area:** Jonesville, ND

**Board Type:** Governing  
 (Governing or Advisory)

**Board Composition as of (today's date):** 12/1/01

**Instructions:** List the members of your governing or advisory board; whether or not they represent a Low-Income Community; how they represent the community (if applicable); and the relevant address to demonstrate their tie to the community. **This chart must be completed for (i) each entity seeking CDE certification, and (ii) each advisory board of each entity, where there are multiple advisory boards.** Visit the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov) to download an electronic, MS Word version of this form. Use additional sheets if necessary.

Individual Name	Do they represent the Low-Income Community(ies)?	How are they representative? <sup>1</sup>	Relevant Address <sup>2</sup> (with census tract)	Is the address in a qualified census tract? <sup>3</sup>
John Smith	YES	Mr. Smith owns a grocery store that has operated in the community for 15 years. He employs individuals enrolled in the local community center's employment skills training program.	Mr. Smith's Corner Grocery 123 Main Street Jonesville, ND 58500 Census Tract: 0116.97	YES
Alice Jones	YES	Ms. Jones works for a national non-profit that assists Low-Income Communities in developing comprehensive community plans.	ABC National Nonprofit 345 K Street, NW Washington, DC 20000 Census Tract: N/A	N/A
Jane Doe	NO	N/A	N/A	N/A

<sup>1</sup> For example, an individual may be representative of the Low-Income Community if s/he is: a resident of the community; a small business owner whose business(es) is located in the Low-Income Community; an employee or board officer of a CDE, a CDFI, a community development corporation (CDC) or other similar community-based or charitable organizations that supports residents of the Low-Income Community.

<sup>2</sup> Please list the address relevant to how the individual is representative of the Low-Income Community. For example, if the individual is a representative on account of residency, list his/her home address. If the individual is representative on account of business ownership, list the name and address of the business. If a board member is accountable to the Low-Income Community through employment or board membership with an organization that serves the Low-Income Community, that organization does not need to be located in a qualifying census tract, but you must still list the address of the organization.

<sup>3</sup> To determine if an address is in a qualifying census tract, please check the Fund's Online Help Desk at [www.cdfifundhelp.gov](http://www.cdfifundhelp.gov).

# Community Development Financial Institutions Fund

## Part II: Designation Criteria for CDEs

**Accountability Chart For:** \_\_\_\_\_  
 (Applicant CDE or Subsidiary Applicant Name)

**Service Area:** \_\_\_\_\_

**Board Type:** \_\_\_\_\_  
 (Governing or Advisory)

**Board Composition as of (today's date):** \_\_\_\_\_

**Instructions:** List the members of your governing or advisory board; whether or not they represent a Low-Income Community; how they represent the community (if applicable); and the relevant address to demonstrate their tie to the community. **This chart must be completed for (i) each entity seeking CDE certification, and (ii) each advisory board of each entity, where there are multiple advisory boards.** Visit the Fund's website at [www.cdffund.gov](http://www.cdffund.gov) to download an electronic, MS Word version of this form. Use additional sheets if necessary.

Individual Name	Do they represent the Low-Income Community(ies)?	How are they representative?	Relevant Address (with census tract)	Is the address in a qualified census tract?
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A
	YES // NO			YES —NO—N/A

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**Community Development Financial Institutions Fund**  
**Part III: Certification of *Authorized Representative***

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**All Applicant CDEs must sign the following certification:**

I certify, on behalf of \_\_\_\_\_ (name of the *Applicant CDE*) and, if applicable, its *Subsidiary Applicants*, that it/they will, at all times during the course of its/their designation as a *CDE*, direct a minimum of 60 percent of its/their activities (including loans, investments and related technical assistance) to *Low-Income Persons*, to persons or organizations located in *Low-Income Communities*, or to other organizations that principally serve *Low-Income Persons* or residents of *Low-Income Communities*.

I further certify that the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)*, will maintain accountability to residents of *Low-Income Communities* that it/they serve, through their representation on the governing board or on an advisory board, at all times during the course of its/their designation as a *CDE*.

The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges that it shall be required to certify to the Fund, not less than annually, that it continues to comply with the above certification requirements, and to notify the Fund if, at any time, the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* fails to comply with these requirements. The *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* acknowledges further that a failure to comply with these requirements may result in the *Applicant CDE* and, if applicable, its *Subsidiary Applicant(s)* losing its designation as a *CDE*, as well as the recapture of NMTC allocations and/or the repayment of NMTCs claimed by investors for making *Qualified Equity Investments* during the *Credit Allowance Period*.

By: \_\_\_\_\_  
Signature of *Authorized Representative* \_\_\_\_\_  
Date

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## Community Development Financial Institutions Fund

### Part IV: Questionnaire of *Applicant CDEs*

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The Fund requires that all *Applicant CDEs*, with the exception of those that are themselves already certified as *CDEs*, complete this questionnaire. The information provided here has no bearing on the applicant's ability to be certified as a *CDE*. Rather, the information will be used to assist the Fund in planning for its first allocation of NMTCs. If you are not sure of a specific response, you may estimate. Your application will not be considered complete unless you submit this questionnaire.

1) Does the *Applicant CDE* and/or its *Subsidiary Applicant(s)* intend to apply for NMTC allocations in the first round that allocations are made available?

Yes                       Do not know

No

If your response to question #1 is "no" or "do not know," you do not need to complete the remainder of this survey.

2) What is the total expected dollar amount of allocations that the *Applicant CDE* and/or its *Subsidiary Applicant(s)* will request in the first round that allocations are made available?

\$ \_\_\_\_\_

3) Do you intend to transfer tax credit allocations to *Subsidiary Applicants*?

Yes                       Do not know

No

4) In what types of qualifying activities will the *Applicant CDE* and/or its *Subsidiary Applicant(s)* potentially engage (check all that apply):

Loans to and/or investments in businesses (other than commercial real estate)

Loans to and/or investments in commercial real estate projects

Loans to and/or investments in *CDEs*

Purchase of loans from other *CDEs*

Deposits to or equity investments in *CDE* banks or credit unions

Training and development services to businesses

Other (please identify): \_\_\_\_\_

Do not know

5) What types of entities are likely to be the recipients of investments made by the *Applicant CDE* and/or its *Subsidiary Applicant(s)*? (check just one)

Related entities

Other entities

A mixture of related entities and other entities

Do not know



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# Community Development Financial Institutions Fund

## Glossary of Terms

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### Glossary of Terms (CDE Certification)

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TERMS	DEFINITIONS
Affiliate	Any legal entity that <i>Controls</i> , is <i>Controlled</i> by, or is under common <i>Control</i> with the <i>Applicant CDE</i> .
Allocation Agreement	A written agreement between the Fund and an Awardee specifying the terms and conditions associated with the receipt of a New Markets Tax Credit allocation.
Applicant CDE	Any legal entity that is applying to the Fund to be certified as a <i>CDE</i> , either for itself or on behalf of its <i>Subsidiary Applicants</i> .
Authorized Representative	An officer, or other individual, who has the actual authority to sign for and make representations on behalf of the <i>Applicant CDE</i> and/or <i>Subsidiary Applicants</i> .
CDE Certification Application	The application form, issued by the Fund, to be completed and submitted by an <i>Applicant CDE</i> in order to be certified as a <i>CDE</i> .
Community Development Entity (CDE)	<p>Under IRC§45D(c)(1), any domestic corporation or partnership if:</p> <ol style="list-style-type: none"><li>(1) The primary mission of the entity is serving, or providing investment capital for, <i>Low-Income Communities</i> or <i>Low-Income Persons</i>;</li><li>(2) The entity maintains accountability to residents of <i>Low-Income Communities</i> through their representation on any governing board of the entity or on any advisory board to the entity; and</li><li>(3) The entity is certified by the Fund as a <i>CDE</i>.</li></ol> <p><i>Specialized Small Business Investment Companies (SSBICs)</i> and <i>Community Development Financial Institutions (CDFIs)</i> will be deemed to be <i>CDEs</i>.</p>
Community Development Financial Institution (CDFI)	An entity designated in writing as a <i>CDFI</i> by the Fund. To be certified by the Fund as a <i>CDFI</i> , applicants must legally exist (e.g., be incorporated or chartered) and be located in the United States or a U.S. territory. In addition, the applicant must have a primary mission of promoting community development, predominantly serve and maintain accountability to eligible target markets, be a financing entity, provide development services, and not be either a government entity or <i>Controlled</i> by a government entity. For further details, refer to the <i>CDFI</i> Program regulations set forth at 12 CFR§1805.201.
Control	<p><i>Control</i> is defined as:</p> <ol style="list-style-type: none"><li>(1) Ownership, control, or power to vote more than 50 percent of the outstanding shares of any class of voting securities of any entity, directly or indirectly or acting through one or more other persons;</li><li>(2) Control in any manner over the election of a majority of the directors, trustees, or general partners (or individuals exercising similar functions) of any other entity; or</li><li>(3) Power to exercise, directly or indirectly, a controlling influence over the management, policies or investment decisions of another entity, as determined by the Fund.</li></ol>

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# Community Development Financial Institutions Fund

## Glossary of Terms

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Credit Allowance Period	The seven-year period during which a taxpayer may claim New Markets Tax Credits for <i>Qualified Equity Investments</i> made to a CDE. In each of the first three years, the taxpayer may claim a credit equal to five percent of the total value of the investment at the time of purchase. For each of the next four years, the taxpayer may claim a six percent tax credit on the investment amount.
Equity Investment	Under IRC£45D(b)(6), <i>Equity Investment</i> means (1) any stock (other than nonqualified preferred stock as defined in IRC£351(g)(2)) in a corporation and (2) any capital interest in a partnership.
Financial Counseling and Other Services	Services provided to businesses located in and residents of <i>Low-Income Communities</i> that promote and are integral to the <i>Applicant CDE's</i> primary mission of serving or providing investment capital for <i>Low-Income Communities</i> or <i>Low-Income Persons</i> . More specific criteria defining <i>Financial Counseling and Other Services</i> will be included in the Internal Revenue Service (IRS) regulations governing the NMTC Program.
Insured Credit Union	Any credit union, the member accounts of which are insured by the National Credit Union Share Insurance Fund.
Insured Depository Institution	Any bank or thrift, the deposits of which are insured by the Federal Deposit Insurance Corporation.
Low-Income Community	<p>Under IRC£45D(e)(1), any population census tract if:</p> <ol style="list-style-type: none"><li>(1) The poverty rate for such tract is at least 20 percent, or</li><li>(2) (a) In the case of a tract not located within a <i>Metropolitan Area</i>, the median family income for such tract does not exceed 80 percent of statewide median family income, or (b) in the case of a tract located within a <i>Metropolitan Area</i>, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the <i>Metropolitan Area</i> median family income.</li></ol> <p>With respect to IRC£45D(e)(1)(B), possession-wide median family income shall be used (in lieu of statewide income) in assessing the status of census tracts located within a possession of the United States.</p> <p>Upon application by an entity for certification as a <i>CDE</i>, the Fund may designate under IRC£45D(e)(2) an area within a census tract as a <i>Low-Income Community</i> if:</p> <ol style="list-style-type: none"><li>(1) The boundary of the area is continuous;</li><li>(2) The area would otherwise meet the definition of a <i>Low-Income Community</i> under IRC£45D(e)(1) if it were a census tract; and</li><li>(3) There is inadequate access to investment capital in the area (as demonstrated by studies, surveys, or other analyses provided by the applicant).</li></ol> <p>Under IRC£45D(e)(3), in the case of an area that is not tracted for population census tracts, the equivalent county divisions (as defined by the Bureau of the Census for purposes of determining poverty areas) shall be used for purposes of defining poverty rates and median family incomes.</p>
Low-Income Designated Credit Union	A credit union designated as such by the appropriate National Credit Union Administration Regional Director in accordance with the criteria set forth in 12 C.F.R.£ 701.34.

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# Community Development Financial Institutions Fund

## Glossary of Terms

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Low-Income Person	<p>Any individual having an income, adjusted for family size, of not more than:</p> <ol style="list-style-type: none"><li>(1) For non-<i>Metropolitan Areas</i>, 80 percent of the statewide median family income; and</li><li>(2) For <i>Metropolitan Areas</i>, the greater of (a) 80 percent of the statewide median family income or (b) 80 percent of the <i>Metropolitan Area</i> median family income.</li></ol>
Metropolitan Area	<p>An area designated as such by the Office of Management and Budget pursuant to 44 USC 3504(e) and 31 USC 1104(d) and Executive Order 10253 (3 CFR, 1949-1953 Comp., p. 758), as amended.</p>
Qualified Active Low-Income Community Business (QALICB)	<p>Any corporation (including a nonprofit corporation) or partnership if, for any taxable year:</p> <ol style="list-style-type: none"><li>(1) At least 50 percent of the total gross income of such entity is derived from the active conduct of a qualified business within any <i>Low-Income Community</i>;</li><li>(2) A substantial portion of the use of the tangible property of such entity (whether owned or leased) is within any <i>Low-Income Community</i>;</li><li>(3) A substantial portion of the services performed for such entity by its employees are performed in any <i>Low-Income Community</i>;</li><li>(4) Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity is attributable to collectibles (as defined in IRC 408 (m)(2)) other than collectibles that are held primarily for sale to customers in the ordinary course of such business; and</li><li>(5) Less than 5 percent of the average of the aggregate unadjusted bases of the property of such entity (as defined in IRC 1397C(e)) is attributable to nonqualified financial property.</li></ol> <p>More specific criteria defining “QALICBs” will be included in the IRS regulations governing the NMTC Program.</p>
Qualified Equity Investment	<p>Under IRC 45D(b)(1), any <i>Equity Investment</i> in a CDE if:</p> <ol style="list-style-type: none"><li>(1) Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash;</li><li>(2) Substantially all of such cash is used by the CDE to make <i>Qualified Low-Income Community Investments</i>; and</li><li>(3) The investment is designated by the CDE as a <i>Qualified Equity Investment</i>.</li></ol> <p><i>Qualified Equity Investment</i> also includes an equity investment purchased from a prior holder, to the extent provided in IRC 45D(b)(4). <i>Qualified Equity Investment</i> does not include any <i>Equity Investment</i> issued by a CDE more than five years after the date the CDE receives a NMTC allocation.</p>
Qualified Low-Income Community Investments	<p>Under IRC 45D(d)(1), a <i>Qualified Low-Income Community Investment</i> is:</p> <ol style="list-style-type: none"><li>(1) Any capital or <i>Equity Investment</i> in, or loan to, any <i>Qualified Active Low-Income Community Business</i> (as defined in IRC 45D(d)(2));</li><li>(2) The purchase from a CDE of any loan made by such entity that is a <i>Qualified Low-Income Community Investment</i>;</li><li>(3) <i>Financial Counseling and Other Services</i> to businesses located in, and residents of, <i>Low-Income Communities</i>; and</li><li>(4) Any <i>Equity Investment</i> in, or loan to, any CDE.</li></ol>

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# Community Development Financial Institutions Fund

## Glossary of Terms

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Small and Emerging	<i>Small and Emerging</i> entities include: (1) institutions that have total assets of no more than \$5 million as of the last day of the applicant's most recently completed fiscal year, and have never received a Notice of Award for financial assistance from the Fund; or (2) Depository Institution Holding Companies or other <i>Insured Depository Institutions</i> that have been chartered by the appropriate federal or state regulatory agency on or after three years prior to the date of the applicable NOFA and have never received a Notice of Award for financial assistance from the Fund prior to the date of application for the <i>Small and Emerging CDFI</i> Assistance Component of the <i>CDFI</i> Program.
Specialized Small Business Investment Companies (SSBICs)	Entities as defined in IRC §1044(c)(3).
Subsidiary	Any legal entity that is owned or <i>Controlled</i> directly or indirectly by the <i>Applicant CDE</i> .
Subsidiary Applicant	An entity that is a <i>Subsidiary</i> of an <i>Applicant CDE</i> and that applies for <i>CDE</i> certification with the <i>Applicant CDE</i> .

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